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EXHIBIT C

The Pricing Engine will be responsible for pricing each borrower/product combination to present to the borrower via the Web or to a counselor in case of 1-800. The Pricing Engine will also be responsible for calculating a 1-day cash price for the Lender to sell the loans to Fannie Mae.

The Pricing Engine will perform the following functions:

- 1) Calculate "Enticement Rates" for each New-Entrant Business Source.
- 2) Calculate a rate for a specific borrower/product combination based on an E-Commerce Conforming Credit Model approval decision.
- 3) Calculate rates looking back up to 180 days.
- 4) Calculate a sale price for each rate locked loan in the pipeline.
- 5) Perform a sanity check on rates prior to posting.

### 3 Pricing Components

The Fannie Mae Pricing Engine will calculate a final retail gross note rate that is to be presented to the borrower. The components of a gross note rate are as follows :

- Portfolio Required Yield, and
- Customer Price Component.

The Customer Component consists of:

- Risk Based Guaranty Fee
- Servicing Fee
- Fannie Mae Technology Price Adjustment
- New-Entrant Business Source Fee
- Title Risk Price Adjustment (if required)
- Collateral Risk Price Adjustment (if required) .

Portfolio Management will provide the Pricing Engine with a par required yield and a Yield/Point Trade-off Schedule for each in-scope product .

fee are as follows :

The criteria for establishing the risk based guaranty

- > LTV
- > Amortization Type
- > Amortization Term
- > Loan Purpose
- > Property Type

#### 4 Presentation of Prices

A price will be unique to a borrower/product combination. In response to a pricing request, the Pricing Engine will provide the Lender the following information :

1. The borrower for which the price quote has been generated
2. The product for which the price applies (eg.: 30-year Fixed, 5/1 ARM). The loan product includes the Amortization Type, Amortization Term, Balloon Indicator, and if applicable, the ARM Plan Number.
3. The par portfolio yield from which the prices are based
4. The customer price component (risk based guaranty fee, servicing fee, Fannie Mae technology price adjustment and if applicable, the title risk and collateral risk price adjustments).
5. The Low Down Payment Price Adjustment (if applicable).
- 6-6. Maximum Note Rate
- 6-7. Maximum Points to be Paid
- 7-8. Maximum Loan Amount
- 8-9. A schedule of Yield/Point Trade-offs for the priced product.

Both the par portfolio yield and the customer price component will be provided in actuals. It is the lender's responsibility to round the Gross Note Rate(s) presented to the nearest 1/8<sup>th</sup>.

The following is an example:

New-Entrant Business Source ID

Borrower: John Doe

Product: 30-year Fixed Rate

Par Portfolio Yield: 6.7

Customer Price Component: 0.82

Low Down Payment Price Adjustment (if applicable)

Maximum Note Rate

Maximum Points to be Paid

Maximum Loan Amount

Maximum LTV (for Closing Costs only)

ACTUAL YIELD	POINTS
0.362	1.500
0.248	1.000
0.119	0.500
0.000	0.000
-0.120	-0.500
-0.246	-1.000
-0.370	-1.500
-0.503	-2.000
-0.628	-2.500
-0.747	-3.000
-0.870	-3.500

The Yield/Point Trade-off Schedule will range from a premium of 1.5 points to a discount of 3.5 points. Yields will be provided in actuals. Point trade-offs will be rounded to the nearest 1/8<sup>th</sup> increment

Each ~~New Entrant~~Business Source Enticement Rate Assumption Profile will contain the following data elements :

- > ~~New Entrant~~Business Source Enticement Profile Identifier
- > Amortization type
- > Amortization term
- > Loan amount
- > LTV
- > FICO
- > Number of months cash reserve
- > Purpose of loan
- > Property type
- > Back-end ratio
- > Self-employed (Y/N)
- > Customer Price Component
- > Low Down Payment Price Adjustment
- > Date/time stamp when this profile began to be used .
- > Date/time stamp when this profile ceased to be used .

## **9 Enticement Rates**

Enticement Rates or "teaser rates" are generic rates that are displayed to the borrower on the web site. They are *not* borrower specific, and are intended only to be representative.

### **9.1 Creating Enticement Rates**

Upon request, for each New-EntrantBusiness Source and for each in-scope product, the Pricing Engine will generate a set of Enticement Rates. The Enticement Rates will be based on the current Portfolio Required Yield and will use the New-EntrantBusiness Source Enticement Rate Assumption Profiles to calculate the Customer Price Component.

The Pricing Engine may provide the Lender with up to three separate enticement rates for each New-EntrantBusiness Source. The rates will be based on a low-risk, an average risk, and a high-risk profile. Fannie Mae will be providing these rates to the Lender using the "Push EnticementPull Enticement Rates" transaction.

### **9.2 Presenting Enticement Rates**

The Lender will be responsible for displaying the Enticement Rates. The Pricing Engine will provide the Lender the following information:

- > New-EntrantBusiness Source ID
- > New-EntrantBusiness Source Enticement Profile Identifier
- > Product for which the Enticement Rates apply (Loan product includes the Amortization Type, Amortization Term, Balloon Indicator and if applicable, the ARM Plan Number)
- > Par Portfolio Yield
- > Customer Price Component based on the New-EntrantBusiness Source Enticement Rate Assumption Profile
- > Yield/Point Trade-off Schedule
- > Date/time stamp when generated
- > Low Down Payment Price Adjustment (if applicable)

## **12 Price Approved Products for Borrower**

### **12.3 Obtain the Customer Price Component**

For each product the borrower has been approved for, the Pricing Engine will :

- obtain Risk Based Guaranty Fee
- obtain the Lender Servicing fee
- obtain Fannie Mae technology price adjustment
  - convert Fannie Mae technology price adjustment to yield
- obtain the title risk price adjustment
- obtain the collateral risk price adjustment (if the E-Commerce Conforming Credit Model has not required an appraisal)
- add all components above to obtain the Customer Price Component .

### **12.4 Tailor Gross Note Rate/Points Schedule**

The Pricing Engine will be responsible for generating and tailoring the Gross Note Rate/Points Schedule .

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